



Oregon Department of Revenue

REVENUE BUILDING
955 CENTER STREET N.E.
SALEM, OREGON 97310

November 7, 1986

TO: All Taxing Municipal Corporations

FROM: Local Government Finance & Taxation Section
Assessment & Appraisal Division
Department of Revenue

SUBJECT: ORS 310.575 Net Tax Rate Limitation

Completion of another tax levy review season is near. During this period, Local Government Finance & Taxation Section (LGF&T) checks tax levy computations and associated statutory limitations. Many districts experienced levy reductions this year due to a misunderstanding of the net tax rate limitation on one-year special levies ORS 310.575.

To prevent levy reductions next year, please consider the following:

1. Any district with a one-year special property tax levy is subject to the net tax rate limitation. If a district does not have a net tax rate large enough to raise the one-year special levy, the district must secure voter approval of a net tax rate increase. Even if the one-year levy receives voter approval, the district may not have authority to actually certify the levy unless the district has a large enough net tax rate necessary to do so.

Districts extremely vulnerable to the above-described situation are newly-formed districts. A new district does not receive a net tax rate based on its first levy. If you did not levy in 1981-82, 1982-83 or 1983-84, you may not have a net tax rate and any one-year special levy will require a temporary net tax rate increase. If the district was formed after January 1984, the district may not be aware of limitations on their levies. This could translate into the district incurring the costly and confusing requirement of having to go back to the voters at another election for net tax rate limit authority.

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2. If a taxing district uses the provisions in 310.575 for loss of non-ad valorem revenue, "Option C," to increase its net tax rate and in the subsequent year uses assessed value growth is less than 5 percent or "Option A," any amount funded by a temporary net tax rate increase must be subtracted from the prior year's "included levy." A levy reduction was necessary this year due to a taxing district increasing its prior year's included levy by 1.06; without first subtracting the levy portion funded by a temporary rate increase described in ORS 310.575.

LGF&T requested and received many attorney general opinions to define and clarify the net tax rate limitation. There is a manual entitled the "Tax Rate Limitation Manual" which is available to assist taxing districts to interpret the limitation and calculate net tax rates. Forms LB-70 and LB-72 with line-item instructions are also prescribed and supplied each January to each taxing district. Should any district need assistance in filling out these forms and calculating their net tax rate, the LGF&T staff are available to assist.

This letter is an attempt to remind the taxing districts of possible ramification associated with the net tax rate limitation. Should you have any questions concerning the net tax rate limitation or any other budgetary or tax levy matter, we strongly urge you to contact your LGF&T Regional Analyst. A listing of the counties and the assigned Regional Analyst to each county is attached.

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Attachment

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